

Message Text

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S/S - MR. ORTIZ

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FM SECSTATE WASHDC

TO AMEMBASSY PARIS IMMEDIATE

C O N F I D E N T I A L STATE 126646

E.O. 11652: GDS

TAGS: EAID, EGEN, EGY

SUBJECT: EMERGENCY ECONOMIC ASSISTANCE TO EGYPT

FOLLOWING REPEAT STATE 126646 ACTION PARIS:

QUOTE

CONFIDENTIAL STATE 126646 TOSEC 020160

E.O. 11652: GDS

TAGS: EAID, EGEN, EGY

SUBJECT: EMERGENCY ECONOMIC ASSISTANCE TO EGYPT

USEC BRUSSELS: PASS TO UNDER SECRETARY ROBINSON

1. IN CONVERSATIONS DURING OECD MINISTERIAL MEETING PARIS,
SECRETARY AND UNDER SECRETARY ROBINSON ASKED GERMAN AND
JAPANESE MINISTERS TO GIVE URGENT CONSIDERATION TO
JOINING UNITED STATES, SAUDI ARABIA AND IRAN IN
COORDINATED RESPONSE TO EGYPTIAN GOVERNMENT'S APPEAL FOR
ADDITIONAL IMPORT-FINANCING AID TO COPE WITH EGYPT'S
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CRITICAL BALANCE OF PAYMENTS PROBLEM DURING REMAINDER OF

1975. MINIMUM REQUIREMENT IS ABOUT \$900 MILLION IN

NON-PROJECT FINANCING OF GENERAL IMPORTS ON LIBERAL TERMS. THEY NOTED THAT USG IS CONSIDERING CONTRIBUTING \$250 MILLION AND SEEKING MATCHING AMOUNTS FROM SAUDI ARABIA AND IRAN, BUT IRAN'S CONTRIBUTION MAY BE SOMEWHAT SMALLER IN VIEW OF ITS VERY RECENT \$120 MILLION LOAN FOR SAME PURPOSE. THEY URGED GERMAN AND JAPANESE GOVERNMENTS TO PROVIDE \$100 MILLION EACH, IN ADDITION TO AMOUNTS ALREADY COMMITTED. SOME OF THIS COULD, IF NECESSARY, BE PROVIDED BY REALLOCATING TO NON-PROJECT USE FUNDS THEY HAD EARLIER OFFERED FOR DEVELOPMENT PROJECTS. POSITIVE RESPONSES, WITHOUT FIRM COMMITMENT RE AMOUNTS, WERE RECEIVED FROM BOTH GERMAN AND JAPANESE DELEGATIONS.

2. GERMAN EMBASSY MINISTER RUYTER MET WITH SOBER AND JAPANESE EMBASSY ECONOMIC MINISTER KOSUGI MET WITH POATS FRIDAY TO FOLLOW UP ON PARIS MINISTERIAL DISCUSSIONS OF AID TO EGYPT. THEY RECEIVED DETAILED BRIEFING ON CAUSES AND SCALE OF BALANCE OF PAYMENTS CRISIS, CONSULTATIONS WITH SAUDI ARABIAN AND IRANIAN GOVERNMENTS, AND CASE FOR POSITIVE RESPONSE BY ALL COUNTRIES INTERESTED IN MAINTAINING EGYPTIAN POLITICAL STABILITY AND SADAT'S CAPACITY TO PURSUE PEACEFUL SETTLEMENT OF ARAB-ISRAELI CONFLICT. BOTH WERE URGED TO RECOMMEND PROMPT ACTION ALONG LINES OUTLINED IN PARIS AND TO COMMUNICATE DIRECTLY WITH GOE.

3. FOR BONN AND TOKYO: REQUEST EMBASSIES MAKE APPROPRIATE FOLLOW-UP. IN SUCH CONVERSATIONS NOTE THAT HARMONIZED BILATERAL RESPONSES TO EGYPT'S APPEAL FOR HELP SHOULD BE CLEARLY ADDITIONAL TO AMOUNTS ALREADY FORMALLY LENT TO EGYPT, SHOULD BE FOR BROAD RANGE OF GENERAL IMPORTS RATHER THAN PROJECT FINANCING, AND SHOULD BE ON LIBERAL REPAYMENT TERMS. US AID WILL BE PL 480 CREDITS AND AID COMMODITY IMPORT LOANS, LATTER FOR INDUSTRIAL AND AGRICULTURAL EQUIPMENT, RAW MATERIALS AND BASIC CONSUMER GOODS PROCURED IN EITHER US OR LESS-DEVELOPED COUNTRIES. US WILLING TO OFFER MOST LIBERAL
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TERMS (40 YEARS WITH 10 YEARS GRACE AND 2 TO 3 PERCENT INTEREST) IF OTHERS PROVIDE SIMILAR TERMS. EACH PARTICIPANT SHOULD OBTAIN ASSURANCES FROM GOE THAT (A) NO NET REPAYMENTS TO MAJOR FOREIGN GOVERNMENT CREDITORS WILL BE MADE IN NEXT 12 MONTHS AND (B) GOE WILL OBTAIN TECHNICAL ASSISTANCE OF IBRD IN DEVISING MORE EFFECTIVE SYSTEM OF FOREIGN EXCHANGE MANAGEMENT. (WE HAVE RECEIVED INFORMAL GOE ASSURANCES ON BOTH THESE

POINTS.)

4. FOR CAIRO: REQUEST EMBASSY ADVISE GOE OF THIS ACTION AND SUGGEST IMMEDIATE DIRECT GOE APPROACHES TO FRG AND GOJ IN CAIRO OR AT THEIR CAPITALS.

5. FOR JIDDA AND TEHRAN: REQUEST EMBASSIES ADVISE HOST GOVERNMENTS OF THIS ACTION BUT NOTE THAT AMOUNTS OF AID FROM GERMANY AND JAPAN MAY FALL SHORT OF REQUESTED \$100 MILLION. NOTE THAT EVEN IF FULL \$900 MILLION RAISED, DELAYS IN OBTAINING PARLIAMENTARY APPROVAL AND DELAYS IN EGYPTIAN LEGAL PROCEDURES AND PROCUREMENT ACTIONS MAY MAKE PACKAGE LESS THAN FULLY EFFECTIVE IN MEETING CY-1975 NEED. NOTE THAT EVEN IF \$900 MILLION EFFECTIVELY PROVIDED, GOE WILL BE REQUIRED TO CUT BACK ON PLANNED IMPORTS BY AT LEAST \$300 MILLION DURING REMAINING HALF-YEAR AND DEFER ANY NET REPAYMENTS TO MAJOR FOREIGN OFFICIAL CREDITORS OVER NEXT 12 MONTHS. UNQUOTE. MAW

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